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REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 32 OF SECURITY COUNCIL RESOLUTION 1284 (1999)

I. INTRODUCTION

1. The present report on the implementation of paragraphs 15 to 30 of Security Council resolution 1284 (1999) of 17 December 1999 is submitted to the Security Council pursuant to the request contained in paragraph 32 of that resolution (hereafter referred to as the resolution).

II. SALE AND EXPORT OF PETROLEUM AND PETROLEUM PRODUCTS BY IRAQ

2. In paragraph 15 of the resolution, the Security Council authorized States, notwithstanding the provisions of paragraphs 3 (a), 3 (b) and 4 of resolution 661 (1990) and subsequent relevant resolutions, to permit the import of any volume of petroleum and petroleum products originating in Iraq, including financial and other essential transactions relating thereto, as required for the purposes set out in paragraph 1 (a) and (b) of resolution 986 (1995) of 14 April 1995 and related resolutions.

3. Since the adoption of the resolution on 17 December 1999, and as at 11 January 2000, the Security Council Committee established by resolution 661 (1990) has approved 68 oil contracts, involving purchasers from 31 countries. The total quantity of oil approved for export under those contracts corresponds to approximately 209 million barrels, with an estimated value of $4,767 million, at current prices.

4. As at 11 January 2000, 36 loadings, totalling 45.5 million barrels, with an estimated value of $1,033 million, have been completed at Mina al-Bakr in Iraq and Ceyhan in Turkey.

5. Taking into account the requirements for the preparation of the reports requested in paragraphs 28 and 30 of the resolution, I am dispatching a group of experts, including oil industry experts, to Iraq from 16 to 31 January 2000. The duration of the mission of the group of experts may be extended, as necessary.

III. UNITED NATIONS ACCOUNTS PERTAINING TO THE IRAQ PROGRAMME

6. In paragraph 20 of the resolution, the Security Council decided to suspend, for an initial period of six months from the date of its adoption and subject to review, the implementation of paragraph 8 (g) of resolution 986 (1995). Subject to approval by the Security Council, the Secretariat will reallocate these funds to the ESB (53 per cent) account. This would raise the allocation percentage as set out in annex III of my report of 25 November 1996 (S/1996/978) of net oil proceeds for the ESB (53 per cent) account from 53.034 per cent to 54.034 per cent.

7. In paragraph 22 of the resolution, the Security Council requested the Secretary-General to minimize the cost of United Nations activities associated with the implementation of resolution 986 (1995), as well as the cost of the independent inspection agents and certified public accountants appointed by him, in accordance with paragraphs 6 and 7 of resolution 986 (1995). The services of the independent inspection agents are secured in strict accordance with established United Nations international competitive bidding procedures which, inter alia, require that contracts are awarded to the lowest technically acceptable bidder. The certified public accountants are independently audited on a regular basis by the United Nations Board of Auditors and are also subject to the relevant financial rules and procedures of the United Nations. Furthermore, all activities associated with the implementation of resolution 986 (1995) are subject to regular budget reviews which seek to ensure that they are undertaken in the most cost-effective manner possible.

8. Pursuant to paragraph 23 of the resolution, since 21 December 1999, the Secretariat has provided the Government of Iraq with a daily statement of the status of the escrow account established by paragraph 7 of resolution 986 (1995). The statement provides a status report of the activity of the escrow account and a bank statement by the bank holding the Iraq account.

9. Pursuant to paragraph 24 of the resolution, the Office of the Iraq Programme has initiated a review to be undertaken by the United Nations Office for Project Services, in consultation with the Government of Iraq and all others concerned, with a view to assisting the Secretary-General to make the necessary arrangements, subject to Security Council approval, to allow funds deposited in the escrow account established by resolution 986 (1995) to be used for the purchase of locally produced goods. The review will also identify the requirements and conditions under which the necessary arrangements may be made to allow for those funds also to meet the local cost for essential civilian needs funded in accordance with the provisions of resolution 986 (1995) and related resolutions, including, where appropriate, the cost of installation and training services.

10. Pursuant to paragraph 26 of the resolution, the Secretariat, in consultation with the Security Council Committee, is reviewing options to make possible the necessary arrangements, for approval by the Security Council, to provide for reasonable expenses related to the Hajj pilgrimage to be met by funds in the escrow account.

IV. PROCESSING AND APPROVAL OF APPLICATIONS FOR CONTRACTS

11. Pursuant to paragraph 17 of the resolution, the Office of the Iraq Programme, in consultation with United Nations agencies and programmes, as well as with the Government of Iraq, has drawn up lists of humanitarian items, including foodstuffs, pharmaceutical and medical supplies, as well as basic or standard medical and agricultural equipment and basic or standard educational items that, in accordance with the resolution, do not require submission to the Security Council Committee. The lists are currently being reviewed by technical experts to ensure that items subject to the provisions of resolution 1051 (1996) of 27 March 1996 are not included. Upon completion of this review, the lists will be submitted to the Security Council Committee for its approval in accordance with paragraph 17 of the resolution. The Office of the Iraq Programme, in consultation with all concerned, is also preparing procedures for the implementation of paragraph 17 of the resolution, which will also be submitted to the Committee for approval.

12. The Office of the Iraq Programme will provide all necessary assistance and information to the Security Council Committee in implementing the relevant provisions of paragraph 25 of the resolution. As requested in paragraph 25, the Security Council Committee will be notified, through the customs evaluation reports accompanying each application, of any items included in the list to which the export/import mechanism approved by resolution 1051 (1996) applies. The Security Council Committee will also be notified of all applications which include items subject to the provisions of resolution 1051 (1996) through the weekly reports prepared by the Office of the Iraq Programme.

13. In paragraph 18 of the resolution, the Security Council Committee is requested to appoint, in accordance with resolutions 1175 (1998) of 19 June 1998 and 1210 (1998) of 24 November 1998, a group of experts, including independent inspection agents appointed by the Secretary-General in accordance with paragraph 6 of resolution 986 (1995). The Council decided that the group of experts will be mandated to expeditiously approve contracts for the parts and equipment necessary to enable Iraq to increase its exports of petroleum and petroleum based products, according to lists of parts and equipment approved by the Special Committee for each individual project. The Office of the Iraq Programme has brought to the attention of the Security Council Committee the draft guidelines prepared in July 1998 pursuant to paragraph 2 of resolution 1175 (1998), in which the Security Council requested the Committee, or a panel of experts appointed by that Committee, to approve contracts for oil spare parts and equipment, according to lists of parts and equipment approved by the Committee for each individual project, for the purpose of increasing the export by Iraq of petroleum and petroleum based products.

V. OBSERVATION AND MONITORING MECHANISMS

14. In paragraph 21 of the resolution, the Security Council requested the Secretary-General, inter alia, to continue to enhance the United Nations observation process in Iraq and to keep the Council informed of the steps taken towards the implementation of the provisions of that paragraph. The Office of the Iraq Programme is reviewing the United Nations observation process in Iraq

with a view to enhancing observation and reporting capacities. The review seeks, inter alia, to ensure the appointment of highly competent staff in the Geographical Observation Unit in Iraq, with relevant qualifications and backgrounds in order to improve the analytical nature of the reports provided to the Security Council and to maximize coordination between the Multidisciplinary and Geographical Observation Units and the sectoral observers of the United Nations agencies and programmes. The Office of the Iraq Programme is also preparing terms of reference for additional experts for the Multidisciplinary Observation Unit. The Council and its Committee will be kept informed on progress made in this regard on a regular basis.

15. The group of experts referred to in paragraph 5 above, have also been tasked to make recommendations regarding the current arrangements for monitoring oil spare parts and equipment inside Iraq with a view to enhancing the monitoring and reporting on the distribution and utilization of oil spare parts and equipment inside Iraq, as called for in paragraph 18 of the resolution.

VI. STEPS TAKEN TO MAXIMIZE THE EFFECTIVENESS OF THE ARRANGEMENTS SET OUT IN RESOLUTION 986 (1995)

16. Pursuant to paragraph 21 of the resolution, the Office of the Iraq Programme will be looking into further ways of maximizing the effectiveness of the arrangements set out in resolution 986 (1995) and related resolutions, including the humanitarian benefit to the Iraqi population in all areas of the country, and, to this end, will draw, as necessary, on the advice of specialists, including representatives of international humanitarian organizations.

VII. PROGRESS ON MEETING THE HUMANITARIAN NEEDS OF THE IRAQI POPULATION

17. Pursuant to paragraph 28 of the resolution, I will submit to the Council a report on the progress made in meeting the humanitarian needs of the Iraqi people and on the revenues necessary to meet those needs, including recommendations on necessary additions to the current allocation for oil spare parts and equipment, on the basis of a comprehensive survey of the condition of the Iraqi oil production sector.

18. Accordingly, the Office of the Iraq Programme, with the full participation of all the agencies and programmes of the United Nations system concerned, is currently reviewing the progress made in meeting the humanitarian needs of the Iraqi people and on the revenues necessary to meet those needs. The terms of reference for the review have been shared with the Government of Iraq, whose participation in the review has been sought. In the preparation of the report to be submitted pursuant to paragraph 28 of the resolution, the report of the group of experts referred to in paragraph 5 above will be taken into account.

VIII. OBSERVATIONS AND RECOMMENDATIONS

19. The Council will be kept informed, as appropriate, on the measures taken by the Government of Iraq in implementing the provisions of paragraph 27 of resolution 1284 (1999).

20. In paragraph 19 of the resolution, the Security Council encouraged Member States and international organizations to provide supplementary humanitarian assistance and published material of an educational character to Iraq. It may be recalled that in my previous reports to the Security Council on the implementation of the humanitarian programme under resolution 986 (1995), I have repeatedly encouraged the international community to provide supplementary assistance in addition to and complementary to those provided under resolution 986 (1995). I regret that the response thus far has not been encouraging. I have directed the Office of the Iraq Programme to further pursue the matter, on my behalf.

21. On several occasions I have drawn attention to the numerous reports on the implementation of the humanitarian programme in Iraq that are being submitted to the Security Council and its Committee within short time-frames. In addition to the reports submitted to the Council every 90 days on the implementation of the humanitarian programme during a given phase and special reports, such as those on the list of oil spare parts and equipment, the Office of the Iraq Programme provides a monthly progress report to the Security Council Committee on the implementation of the programme, as well as a weekly report on the status of processing of applications and the estimated availability of funds. I should like to recommend a review in order to rationalize the number of reports. The rationalization of the number of reports required will also allow more time to the relatively modest number of United Nations personnel involved in the implementation of such a large and complex programme to concentrate on the implementation of the programme, both at Headquarters and in the field.

22. Accordingly, taking into account the number and schedule of the reports requested by the Security Council in the resolution, I should like to submit to the Council for its consideration a recommendation that the information and recommendations to be included in the reports requested in paragraphs 28 and 30 of the resolution be included in a single report to be submitted to the Council on 10 March 2000. Under the current schedule, the reports pursuant to paragraphs 28 and 30 are due on 15 February and 26 March 2000, respectively. I should also like to recommend for the consideration of the Council that the information to be provided in my 90-day report, due on 10 March 2000, pursuant to paragraph 5 of resolution 1281 (1999), also be combined in the proposed single report. It is my opinion that such a single comprehensive report will also facilitate the work of the Council.